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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [SA](#)  
SUBJECT: SAUDI BUDGET CONTINUES TO BE TRANSPARENT

REF: A. SECSTATE 1923  
[1](#)B. RIYADH 76  
[1](#)C. 09 RIYADH 572

[1](#)1. (SBU) Post appreciates the opportunity to provide input into this year's review of budget transparency. The government publishes both its income and its expenditures each year, as well as information about the economy (e.g., inflation, growth, GDP, etc.). In addition, the central bank, the national oil company (Aramco) and most SAG agencies publish annual reports. Those of parastatal companies, like Aramco, are audited. Saudi Arabia's high dependence on oil revenues (more than 80 percent of budget revenue) can affect the pace of revenues and expenditures, especially when prices are volatile. Saudi officials issue corrections for previous years' revenue and expenditures as part of their annual public statements, in addition to periodic public updates. Post does not believe Saudi Arabia merits inclusion on this year's list.

[1](#)2. (SBU) In response to the specific questions raised in ref A:

-- Is the central government expected to receive funding under the FY 2010 SFOAA?

Yes, Saudi Arabia is expected to receive \$65,000 of IMET funding and \$300,000 of NADR funding in FY2010.

-- Is the host country's annual national budget publicly available?

The SAG publicly releases an annual budget statement in late December for the following fiscal year (which corresponds to the calendar year). This statement includes a general breakdown by sector, as well as a more detailed list of allocations for government organizations, including universities and independent government bodies (such as the investment promotion authority, the Saudi Red Crescent, the tourism commission, the port authority, etc.). The 2010 budget listed 46 of these more specific allocations. Many of these organizations (e.g., the SFD) publish their own annual reports with very detailed income and expenditure information. These are readily available to the public. The Saudi Arabian Monetary Agency (SAMA) also publishes an extremely detailed breakdown of the Saudi budget, including detailed sector information and consolidated balance sheets for public funds. SAMA also publishes monthly updates of the public balance sheet, including overseas assets.

-- Are incomes and expenditures included in the publicly-available budget?

Both income and expenditures are included in the public

budget information. Supplemental public information, such as the central bank's annual report, and Aramco's audited report, are also readily available.

-- What is post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures?

The SAG derives most of its income from the national oil company, Aramco, which releases an audited annual report. Aramco's reported production numbers track closely with industry estimates of Saudi production. Differences between the SAG's budgeted income and actual income are a function of global oil prices and unanticipated production fluctuations based on OPEC decisions and other external factors beyond SAG control. The government is generally conservative when generating its budget estimate in December of the previous year, but publishes actual income figures at the end of the year. Senior officers regularly comment publicly on the status of unanticipated budget deficits or surpluses as the end of the year approaches.

Expenditures are reported in three categories: sector allocations such as "transportation and communication," specific line-item allocations for government agencies and universities, and a broad "Other" category, which makes up approximately 50 percent of the budget and is predominantly defense, intelligence, and related security expenditures. The central bank's annual report provides extensive, detailed information on these sectors. Many of these agencies, including the Saudi Fund for Development, the Saudi Red Crescent, and Saudi Arabian Airlines, publish detailed annual reports which include breakdowns of revenue and expenditures.

While the SAG typically overspends its annual budget by 15 to 30 percent, it reports what these expenditures were for at the end of the year. For example, in December 2009, the SAG reported that its cost overruns for 2009 were spent on renovations to several mosques, including those in Mecca and Medina, food and welfare subsidies, the transfer of temporary employees to permanent status, increased student enrollment in universities, and increased scholarships for study abroad.

Throughout the year, Saudi and regional press regularly report on SAG contract awards, which are also available on many ministry websites.

-- Have there been any events since the 2009 review that may have affected fiscal transparency?

King Abdullah directed the General Auditing Bureau to implement its second strategic plan to increase financial auditing and performance monitoring, which is explicitly linked to increasing public awareness and trust of the activities of SAG entities. The Saudi cabinet also directed all ministries and agencies that lacked them to set up internal audit bureaus.

-- Since last year's review, what efforts has the host government undertaken to improve fiscal transparency? What progress has been made, pursuant to the 2009 demarches on the subject?

The SAG has stepped up its efforts to combat waste, fraud, and abuse. There has been extensive media reporting on efforts of the General Auditing Bureau to hold SAG agencies accountable for spending and performance. The GAB annual report includes the results of audits of financial statements and budgets, as well as reports of violations. The GAB report pointed out cases of over-invoicing, project delays, and malfeasance.

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